



Schwarzenegger predicts state deficit will top \$10 billion

The Associated Press

Article Launched: 04/24/2008 03:35:25 PM PDT

SACRAMENTO—Gov. Arnold Schwarzenegger predicted Thursday that California would face a budget deficit of more than \$10 billion in the fiscal year that starts July 1.

"This is why we have to make all kinds of cuts across the board," he told a group of prosecutors and criminal investigators at a conference near the Capitol.

"I hate making those kinds of cuts, but we have no more money," he added later in comments to reporters. "We have to live within our means. We are out of whack every one of the next few years by \$10 (billion) to \$12 billion. You cannot tax your way out of that."

Democrats have proposed a combination of budget cuts and tax increases to deal with the deficit.

"There is no way that a cuts-only budget will be enacted with a deficit of that size," said Steve Maviglio, a spokesman for Assembly Speaker Fabian Nunez, D-Los Angeles.

Schwarzenegger initially forecast a \$14.5 billion deficit for the 18-month period starting in January. The legislative analyst later said the gap between projected revenue and expenses was \$16 billion.

Lawmakers then cut that figure to about \$8 billion by authorizing more borrowing, delaying some payments and making other budget changes. Since then, tax revenue to the state has been below expectations as the downturn in the housing market has spread to other parts of the economy.

Schwarzenegger is scheduled to reveal his revised budget proposal for the next fiscal year on May 14.

In another budget-related development Thursday, Republican lawmakers proposed giving schools \$2.1 billion more than Schwarzenegger proposed when he released his initial budget plan in January.

They proposed making up the difference in part by cutting welfare programs. The Republicans also favor some money-saving recommendations made by the nonpartisan Legislative Analyst's Office, such as eliminating vacant state government positions.

Senate Minority Leader Dave Cogdill, R-Modesto, said the plan would allow more money for schools without increasing spending or raising taxes. Providing stable education funding, he said, "must go hand-in-hand with enacting commonsense reforms."

Maviglio said the GOP plan was "the budget equivalent of robbing Peter to shortchange Paul."

"While we appreciate that the Republicans are finally understanding that Californians believe education should be a priority, (the GOP proposal) has the potential to shred the safety net and still leave our schools billions short of what they deserve," he said.